

REQUEST FOR PROPOSAL

West Virginia Offices of the Insurance Commissioner

Workers Compensation Assigned Risk Plan Administrator

INS 11011

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SECTION ONE: GENERAL INFORMATION

- 1.1 Purpose: The West Virginia Offices of the Insurance Commissioner (OIC) is soliciting proposals from qualified firms to provide administrative services including the management of funds for West Virginia's Workers Compensation Assigned Risk Plan (Plan) and its insureds. The successful vendor must be fully operational, with servicing carriers in place, by January 1, 2012.

- 1.2 By signing and submitting its proposal, the successful Vendor agrees to be bound by all the terms contained in this RFP.

A Request for Proposal (RFP) is generally used for the procurement of services in situations where price is not the sole determining factor and the award will be based on a combination of cost and technical factors (Best Value). Through its proposal, the bidder offers a solution to the objectives, problem, or need specified in the RFP, and defines how it intends to meet (or exceed) the RFP requirements.

- 1.2.1 Compliance with Laws and Regulations: The Vendor shall procure all necessary permits and licenses to comply with all applicable Federal, State, or municipal laws, along with all regulations, and ordinances of any regulating body.

The Vendor shall pay any applicable sales, use or personal property taxes arising out of this contract and the transactions contemplated thereby. Any other taxes levied upon this contract shall be borne by the Vendor. It is clearly understood that the State of West Virginia is exempt from any taxes regarding performance of the scope of work of this contract.

1.3 Schedule of Events:

Vendor's Written Questions Submission Deadline..... 03/16/2011

Bid Opening Date..... 03/30/2011

1.4 **Mandatory Pre-bid Conference:** Not Applicable

- 1.5 **Inquiries:** Inquiries regarding specifications of this RFP must be submitted in writing to the Purchasing Contact, Vickie Marcum, ASA II, with the exception of questions regarding the proposal submission which may be oral. The deadline for written inquiries is identified in the Schedule of Events, Section 1.3. All inquiries of specification clarification must be addressed to:

Vickie Marcum, ASA II
WV Offices of the Insurance Commissioner
1124 Smith Street
P.O. Box 50504
Charleston, WV 25305-0540
Fax: (304) 558-4967

No contact between the Vendor and other Agency personnel is permitted without the express written consent of the Purchasing Contact. Violation may result in rejection of the bid. The Purchasing Contact named above is the sole contact for any and all inquiries after this RFP has been released.

- 1.6 **Verbal Communication:** Any verbal communication between the Vendor and any State personnel is **not** binding. Only information issued in writing and added to the RFP specifications by an official written addendum by the OIC is binding.
- 1.7 **Addenda:** If it becomes necessary to revise any part of this RFP, an official written addendum will be issued by the OIC.

SECTION TWO: PROJECT SPECIFICATIONS

- 2.1 **Location:** The OIC is located at 1124 Smith Street, Charleston, West Virginia.

2.2 **Demographics of the Plan:**

As of December 31, 2010, the Plan has 875 policies in force, with the average size being \$7,300. Total residual market premium totaled \$6,421,579 at year end. The Plan was first established January 1, 2009 and growth has been slow but steady. The top classification codes reported are: 7228 Trucking-Local Hauling Only-& Drivers; 5645 Carpentry-Detached One Or Two Family Dwellings; 6217 Excavation & Drivers; 2702 Logging Or Tree Removal-Non Mechanized Operations; and 9082 Restaurant NOC/Caterer. Ninety nine percent of all applications received have been received online. The current vendor contract expires December 31, 2011.

- 2.3 **Qualifications and Experience:** Vendors will provide information regarding their firm, data processing resources, staff qualifications and experience in administering workers compensation assigned risk plans; references; copies of any staff certifications or degrees applicable to this project; proposed staffing plan; and descriptions of current plans they administer for other states.

- 2.4 **Project Description:** The Plan requests bids from qualified vendors to provide the following services for the Plan:

- Administrative Services for the Plan;
- Application Processing Services;
- Accounting Services;
- Selection of Oversight of Servicing Carriers;
- Establishment of Service Performance Standards;

- Establishment of a Dispute Resolution Process: and
 - Depopulation Mechanisms for the Plan.
- 2.4.1 Administrative Services are defined as: management services to the OIC, administering, managing and enforcing the Plan, development of assigned risk policy forms and endorsements, the development and maintenance of related Plan filings, regular management reports on losses, policy counts, market share of the Plan and similar reports, interaction with statistical agents, interaction with licensed producers, etc.
- 2.4.2 Application Processing is defined as: the establishment of needed rules and processes to accept applications for coverage in the Plan, their review of application for accuracy, completeness and potential fraud, determine eligibility of employers, binding of coverage in accordance with Plan rules and random and equitable assignment to servicing carriers.
- 2.4.3 Accounting Services are those services associated with the processing of assigned risk workers compensation insurance applications submitted under the Plan including, the reconciliation of banking services related to deposit premiums, refunds, and any other distribution of Plan funds to servicing carriers and/or Plan participating companies as may be applicable.
- 2.4.4 Selection and Oversight of Servicing Carriers is defined as: the establishment of a means of selecting servicing carriers to provide policy services, underwriting, loss prevention, claims, premium collection and audit services. Such means shall include methods to discern from interested servicing carriers those that are qualified financially and technically to provide such services to the plan. This includes a scoring methodology concerning both quantitative and qualitative measures.
- 2.4.4.1 Underwriting services include insurance policy binding, policy issuance and policy servicing, e.g. premium billing and collection, premium audits, responding to insured queries.
- 2.4.4.2 Claims administration includes establishing and implementing a claims reporting system, claims investigation procedures, fraud detection, medical or managed care services, disability management or return to work programs and defined procedures for prompt, complete payment of bona fide claims.
- 2.4.4.3 Loss control services include systems and procedures established by the Vendor to help employers prevent or mitigate losses.
- 2.4.5 Establishment of Service Performance Standards is defined as: the description of performance standards regarding timeliness, and quality of policy issuance, underwriting, claims administration, loss prevention, auditing and other appropriate policyholder services for accounts covered in the Plan.

2.4.6 Depopulation mechanisms are defined as: systems and procedures designed and intended by the vendor to reduce the total number of employers in the plan.

2.5 **Mandatory Requirements**

Mandatory requirements must be met by the Vendor as a part of the submitted proposal. Failure on the part of the Vendor to meet any of the mandatory specifications shall result in the disqualification of the proposal. The terms "must", "will", "shall", "minimum", "maximum", or "is/are required" identify a mandatory item or factor. Decisions regarding compliance with any mandatory requirements shall be at the sole discretion of the OIC.

2.6 **Oral Presentations:** OIC has the option of requiring oral presentations of all Vendors participating in the RFP process. During oral presentations, Vendors may not alter or add to their submitted proposal, but only clarify information.

SECTION THREE: VENDOR PROPOSAL

3.1 **Economy of Preparation:** Proposals should be prepared simply and economically providing a straightforward, concise description of the Vendor's abilities to satisfy the requirements of the RFP. Emphasis should be placed on completeness and clarity of the content.

3.2 **Incurring Cost:** Neither the State nor any of its employees or officers shall be held liable for any expenses incurred by any Vendor responding to this RFP, including but not limited to preparation, delivery, or travel.

3.3 **Proposal Format:** Vendors should provide responses in the format listed below:

Title Page: State the RFP subject, number, Vendor's name, business address, telephone number, fax number, name of contact person, e-mail address, and Vendor signature and date.

Table of Contents: Clearly identify the material by section and page number.

Attachment A: Within the attached response sheet (**Attachment A: Vendor Response Sheet**), provide the following: firm and staff qualifications and experience in completing similar services; references; proposed staffing plan; and listing of other states and dates of where similar services are provided.

Also, describe the approach and methodology proposed for this project. This should include how each of the plan services listed is to be met.

Attachment B: Complete **Attachment B: Cost Sheet** included in this RFP and submit in a separate sealed envelope. Cost should be clearly marked.

3.4 **Proposal Submission:** Proposals must be received in **two distinct parts**: technical and cost.

- **Technical proposals** must not contain any cost information relating to the project.
- **Cost proposal** shall be sealed in a separate envelope and will not be opened initially.

All proposals must be submitted to the Purchasing Contact **prior** to the date and time stipulated in the RFP as the opening date. All bids will be dated and time stamped to verify official time and date of receipt.

3.4.1 Vendors should allow sufficient time for delivery. Any proposal received after the bid opening date and time will be disqualified.

Vendors responding to this RFP shall submit:

One original technical and cost proposal plus Six (6) convenience copies to:

West Virginia Offices of the Insurance Commissioner
Attn: Vickie Marcum
1124 Smith Street
P.O. Box 50540
Charleston, WV 25305-0504

The outside of the envelope or package(s) for both the technical and the cost should be clearly marked:

Vendor:	_____
OIC Contact:	Vickie Marcum
Req #:	INS 11011
Opening Date:	03/30/2011
Opening Time:	1:30 p.m.

- 3.5 **Purchasing Affidavit:** *West Virginia Code* §5A-3-10a requires that all bidders submit an affidavit regarding any debt owed to the State. The affidavit must be signed and submitted prior to award. It is preferred that the affidavit be submitted with the proposal.
- 3.6 **Resident Vendor Preference:** In accordance with *West Virginia Code* §5A-3-37, Vendors may make application for Resident Vendor Preference. Said application must be made on the attached Resident Vendor Certification form at the time of proposal submission.
- 3.7 **Technical Bid Opening:** The OIC will open only the technical proposals received prior to the date and time specified in the Request for Proposal. The technical proposals shall then be provided to the evaluation committee.
- 3.8 **Cost Bid Opening:** The OIC will open cost proposals once the Agency evaluation committee has completed the technical evaluation.

SECTION FOUR: EVALUATION AND AWARD

- 4.1 **Evaluation Process:** Proposals will be evaluated by a committee of three (3) or more individuals against the established criteria with points deducted for deficiencies. The Vendor who demonstrates that they meet all of the mandatory specifications required; and has appropriately presented within their written response and/or during the oral demonstration (if applicable) their understanding in meeting the goals and objectives of the project; and attains the highest overall point score of all Vendors shall be awarded

the contract. The selection of the successful Vendor will be made by a consensus of the evaluation committee.

- 4.2 **Evaluation Criteria:** All evaluation criteria is defined in the specifications section and based on a 100 point total score. Cost shall represent a minimum of 30 of the 100 total points.

The following are the evaluation factors and maximum points possible for technical point scores:

• Qualifications and experience	35 Points Possible
• Approach and methodology	35 Points Possible
• Cost	<u>30 Points Possible</u>
Total	100 Points Possible

Each cost proposal cost will be scored by use of the following formula for all Vendors who attained the minimum acceptable score:

Lowest price of all proposal

_____ X 30 = Price Score

Price of Proposal being evaluated

4.2.1 Technical Evaluation: The Agency evaluation committee will review the technical proposals, deduct points where appropriate, and make a final written recommendation to the Insurance Commissioner.

4.2.2 Minimum Acceptable Score: Vendors must score a minimum of 70% (49 points) of the total technical points possible. All Vendors not attaining the minimum acceptable score (MAS) shall be disqualified and removed from further consideration.

- 4.2.3 **Cost Evaluation:** The Agency evaluation committee will review the cost proposals, assign appropriate points, and make a final recommendation to the Insurance Commissioner.
- 4.3 **Independent Price Determination:** A proposal will not be considered for award if the price in the proposal was not arrived at independently without collusion, consultation, communication, or agreement as to any matter relating to prices with any competitor unless the proposal is submitted as a joint venture.
- 4.4 **Rejection of Proposals:** The OIC reserves the right to accept or reject any or all proposals, in part or in whole at its discretion. The OIC further reserves the right to withdraw this RFP at any time and for any reason. Submission of or receipt of proposals by the OIC confers no rights upon the bidder nor obligates the State in any manner.
- 4.5 **Vendor Registration:** Vendors participating in this process should complete and file a Vendor Registration and Disclosure Statement (Form WV-1) and remit the registration fee. Vendor is not required to be a registered Vendor in order to submit a proposal, but the **successful bidder must** register and pay the fee prior to the award of an actual purchase order or contract.

SECTION FIVE: CONTRACT TERMS AND CONDITIONS

- 5.1 **Contract Provisions:** The RFP and the Vendor's response will be incorporated into the contract by reference. The order of precedence shall be the contract, the RFP and any addendum, and the vendor's proposal in response to the RFP.
- 5.2 **Public Record:** All documents submitted to the OIC related to purchase orders or contracts are considered public records. All bids, proposals, or offers submitted by Vendors shall become public information and are available for inspection during normal official business hours after the bid opening.
- 5.2.1 **Risk of Disclosure:** The only exemptions to disclosure of information are listed in **West Virginia Code** §29B-1-4. Any information considered a trade secret must be separated from the Vendor submission and clearly labeled as such. Primarily,

only trade secrets, as submitted by a bidder, are exempt from public disclosure. The submission of any information to the State by a Vendor puts the risk of disclosure on the Vendor. The State does not guarantee non-disclosure of any information to the public.

5.2.2 Written Release of Information: All public information may be released with or without a Freedom of Information request; however, only a written request will be acted upon with duplication fees paid in advance. Duplication fees shall apply to all requests for copies of any document. Currently, the fees are 50 cents per page, or a minimum of \$10.00 per request, whichever is greater.

5.3 **Conflict of Interest:** Vendor affirms that neither it nor its representatives have any interest nor shall acquire any interest, direct or indirect, which would compromise the performance of its services hereunder. Any such interests shall be promptly presented in detail to the Agency.

5.4 **Vendor Relationship:** The relationship of the Vendor and the State shall be that of an independent contractor and no principal-agent relationship or employer-employee relationship is contemplated or created by this contract. The Vendor as an independent contractor is solely liable for the acts and omissions of its employees and agents.

Vendor shall be responsible for selecting, supervising, and compensating any and all individuals employed pursuant to the terms of this RFP and resulting contract. Neither the Vendor, nor any employees or subcontractors of the Vendor, shall be deemed to be employees of the State for any purpose whatsoever.

Vendor shall be exclusively responsible for payment of employees and contractors for all wages and salaries, taxes, withholding payments, penalties, fees, fringe benefits, professional liability insurance premiums, contributions to insurance and pension, or other deferred compensation plans, including but not limited to, Workers' Compensation and Social Security obligations, licensing fees, *et cetera* and the filing of all necessary documents, forms and returns pertinent to all of the foregoing.

Vendor shall hold harmless the State, and shall provide the State and Agency with a defense against any and all claims including, but not limited to, the foregoing payments,

withholdings, contributions, taxes, Social Security taxes, and employer income tax returns.

The Vendor shall not assign, convey, transfer, or delegate any of its responsibilities and obligations under this contract to any person, corporation, partnership, association, or entity without expressed written consent of the Agency.

5.4.1 Subcontracts/Joint Ventures: The Vendor may, with the prior written consent of the State, enter into subcontracts for performance of work under this contract.

5.4.2 Indemnification: The Vendor agrees to indemnify, defend, and hold harmless the State and the Agency, their officers, and employees from and against: (1) Any claims or losses for services rendered by any subcontractor, person, or firm performing or supplying services, materials, or supplies in connection with the performance of the contract; (2) Any claims or losses resulting to any person or entity injured or damaged by the Vendor, its officers, employees, or subcontractors by the publication, translation, reproduction, delivery, performance, use, or disposition of any data used under the contract in a manner not authorized by the contract, or by Federal or State statutes or regulations; and (3) Any failure of the Vendor, its officers, employees, or subcontractors to observe State and Federal laws including, but not limited to, labor and wage laws.

5.4.3 Governing Law: This contract shall be governed by the laws of the State of West Virginia. The Vendor further agrees to comply with the Civil Rights Act of 1964 and all other applicable laws and regulations as provided by Federal, State, and local governments.

5.5. **Term of Contract and Renewals:** This contract will be effective upon award and shall extend for the period of (3) years, at which time the contract may, upon mutual consent, be renewed.

5.6 **Non-Appropriation of Funds:** If funds are not appropriated for the Agency in any succeeding fiscal year for the continued use of the services covered by this contract, the State may terminate the contract at the end of the affected current fiscal period without further charge or penalty. The State shall give the Vendor written notice of such non-

appropriation of funds as soon as possible after the Agency receives notice. No penalty shall accrue to the Agency in the event this provision is exercised.

- 5.7 **Changes:** If changes to the contract become necessary, a formal contract change order will be negotiated by the OIC and the Vendor.

As soon as possible, but not to surpass thirty (30) days after receipt of a written change request from the Agency, the Vendor shall determine if there is an impact on price with the change requested and provide the Agency a written Statement identifying any price impact on the contract. The Vendor shall provide a description of any price change associated with the implementation.

NO CHANGE SHALL BE IMPLEMENTED BY THE VENDOR UNTIL SUCH TIME AS THE VENDOR RECEIVES AN APPROVED WRITTEN CHANGE ORDER FROM THE PURCHASING DIVISION.

- 5.8 **Price Quotations:** The price(s) quoted in the Vendor's proposal will not be subject to any increase and will be considered firm for the life of the contract unless specific provisions have been provided in the original specifications.

- 5.9 **Payment For Services:** Payment for the Vendor's services shall be a retention of a portion of the premium collected and the method shall meet the approval of the OIC.

- 5.10 **Liquidated Damages:** Not Applicable

- 5.11 **Contract Termination:** The State may terminate any contract resulting from this RFP immediately at any time the Vendor fails to carry out its responsibilities or to make substantial progress under the terms of this RFP and resulting contract. The State shall provide the Vendor with advance notice of performance conditions which may endanger the contract's continuation. If after such notice the Vendor fails to remedy the conditions within the established timeframe, the State shall order the Vendor to cease and desist any and all work at a date set by the State. The State shall be obligated only for services rendered and accepted prior to the date of the notice of termination.

The contract may be terminated by the State with thirty (30) days prior notice pursuant to ***West Virginia Code of State Rules*** § 148-1-7.16.2.

5.12 Special Terms and Conditions:

5.12.1 Bid and Performance Bonds: Not Applicable

5.12.2 Insurance Requirements: Prior to award of a contract, the successful vendor must provide liability insurance certificates to show that there is an amount of liability insurance that the OIC determines to be adequate to cover exposures resultant from the services rendered by the vendor.

5.12.3 License Requirement: Successful vendor must demonstrate that they have any license required to conduct their business.

5.12.4 Protest Bond: Not Applicable

5.13 Record Retention (Access and Confidentiality): Vendor shall comply with all applicable Federal and State rules, regulations, and requirements governing the maintenance of documentation to verify any cost of services or commodities rendered under this contract by the Vendor. The Vendor shall maintain such records a minimum of five (5) years and make such records available to Agency personnel at the Vendor's location during normal business hours upon written request by the Agency within ten (10) days after receipt of the request.

Vendor shall have access to private and confidential data maintained by the Agency to the extent required for the Vendor to carry out the duties and responsibilities defined in this contract. Vendor agrees to maintain confidentiality and security of the data made available and shall indemnify and hold harmless the State and the Agency against any and all claims brought by any party attributed to actions of breach of confidentiality by the Vendor, subcontractors, or individuals permitted access by the Vendor.

Attachment A: Vendor Response Sheet

Provide a response regarding the following: firm and staff qualifications and experience in completing similar projects; references; proposed staffing plan; and a listing of other states and dates of where similar services are provided.

Also describe the approach and methodology proposed for this project. This should include how each of the Plan services listed is to be met.

Qualifications and Experience:

Provide information regarding your firm's experience in administering workers compensation assigned risk plans. Include a listing of states and dates where similar services are provided.

Vendor Response:

Provide information regarding the experience of the staff assigned this project in providing plan administration services. Include a proposed staffing plan and applicable certifications or degrees held.

Vendor Response:

Provide information regarding your data processing resources, online application process services, automated carrier bid submissions, servicing carrier audits, proof of coverage reporting, etc. Include a listing of other states that you currently provide these services.

Vendor Response:

Provide references from at least one (1) state for which similar assigned risk services as requested are or have been provided within the last 5 years.

Vendor Response:

Approach and Methodology:

Provide your proposed approach for the following services:

Administrative Services

Administrative Services are defined as: management services to the OIC, administering, managing and enforcing the Plan, development of assigned risk policy forms and

endorsements, the development and maintenance of related Plan filings, regular management reports on losses, policy counts, market share of the Plan and similar reports, interaction with statistical agents, interaction with licensed producers, etc.

Vendor Response:

Application Processing

Application Processing is defined as: the establishment of needed rules and processes to accept applications for coverage in the Plan, their review of application for accuracy, completeness and potential fraud, determine eligibility of employers, binding of coverage in accordance with Plan rules and random and equitable assignment to servicing carriers.

Vendor Response:

Accounting Services

Providing accounting services associated with the processing of assigned risk workers compensation insurance applications submitted under the Plan including, the reconciliation of banking services related to deposit premiums, refunds, and any other distribution of Plan funds to servicing carriers and/or Plan participating companies as may be applicable.

Vendor Response:

Management of Funds/Reinsurance Mechanism

Financial management mechanism for pool ensuring financial solvency protection and payment of policyholders claims.

Vendor Response:

Selection and Oversight of Servicing Carriers

Selection and Oversight of Servicing Carriers is defined as: the establishment of a means of selecting servicing carriers to provide policy services, underwriting, loss prevention, claims, premium collection and audit services. Such means shall include methods to discern from interested servicing carriers those that are qualified financially and technically to provide such services to the plan. This includes a scoring methodology concerning both quantitative and qualitative measures.

Underwriting services include insurance policy binding, policy issuance and policy servicing, e.g. premium billing and collection, premium audits, responding to insured queries.

Claims administration includes establishing and implementing a claims reporting system, claims investigation procedures, fraud detection, medical or managed care services, disability management or return to work programs and defined procedures for prompt, complete payment of bona fide claims.

Loss control services include systems and procedures established by the Vendor to help employers prevent or mitigate losses.

Vendor Response:

Establishment of Service Performance Standards

Establishment of Service Performance Standards is defined as: the description of performance standards regarding timeliness, and quality of policy issuance, underwriting, claims administration, loss prevention, auditing and other appropriate policyholder services for accounts covered in the Plan.

Vendor Response:

Depopulation Mechanisms

Depopulation mechanisms are defined as: systems and procedures designed and intended by the vendor to reduce the total number of employers in the plan.

Vendor Response:

Dispute Resolution Services

Vendor Response:

Defendable Work Plan and Timelines

Provide a detailed defendable work-plan demonstrating how you will address the OIC's needs as outlined in this RFP including specific timelines, as the successful program must be up and running by January 1, 2012. Note that although January 1, 2012 will be the new contract period, servicing carrier bids/selections, producer communication and processing changes effective at the time of the new contract must be completed and in place prior to January 1, 2012 in order

for application processing to begin at that date. The vendor should prepare a proposed timeline with a compilation of the major phases/activities to be accomplished from inception of the contract to implementation of the Plan on January 1, 2012, and include proposed deliverables within the timeline.

Vendor Response:

The vendor must agree to provide assigned market training for producers and stakeholders around the state as determined by the OIC.

Vendor Response:

The vendor must agree to provide other management consulting services related to this project for the OIC as needed. These additional services may include appearances by personnel of the Vendor before legislative and executive bodies or others to respond to questions, give reports, and educate individuals about the Plan's administration.

Vendor Response:

Attachment B: Cost Sheet

Cost information below as detailed in the Request for Proposal and submitted in a separate sealed envelope. Cost should be clearly marked.

Payment for the Vendor's services shall be a retention of a portion of the premium collected and the method shall meet the approval of the OIC.

Provide a description of proposed payment method.

Provide estimated annual costs based on the sample market below

Policy Count = 1,100

Total AR Market Premium = \$7,000,000

80% of policy count with premiums than \$5,000

Estimated Total Annual Cost _____